Supreme Court, U.S.
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No. 96-321

In The

Supreme Court of the United States

October Term, 1995

KAYSER-ROTH CORPORATION,

Petitioner,

vs.

SARA LEE CORPORATION,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Fourth Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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LIST OF PARENT COMPANIES AND NON-WHOLLY OWNED SUBSIDIARIES

Pursuant to Supreme Court Rule 29.6, Respondent Sara Lee Corporation advises that it has no parent company, and that it owns an interest in the following non-wholly owned subsidiaries:

Consolidated Foodservice Companies Limited Partnership
Eden Yarns, Inc.
Gullwing Productions, L.L.C.
JP Foodservice, Inc.
Lyon's Restaurants, Inc.
Playtex Marketing Corporation

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RESPONDENT'S BRIEF IN OPPOSITION

Respondent Sara Lee Corporation ("Sara Lee") respectfully requests that the Court deny the Petition of Kayser-Roth Corporation ("Kayser-Roth") for a writ of certiorari to review the judgment of the United States Court of Appeals for the Fourth Circuit in this case.

SUMMARY OF THE ARGUMENT

Kayser-Roth's Petition is an attempt to create issues for review where none exist. Kayser-Roth reads the opinion below to hold that the use of generic words can be enjoined as a matter of trademark law, when in reality the Fourth Circuit held that the use of "leg" as part of a trademark on pantyhose can be enjoined because it is *not* generic for pantyhose. No issue of restrictions on the right to use generic terms is presented in this case.

The opinion below did not purport to limit Kayser-Roth's incontestable *registration* for Leg Looks® in any way. It simply enjoined Kayser-Roth's *use* of the registered mark in such a way as to infringe the senior L'eggs® mark, a result which follows from the express language of the Lanham Act. The district court itself so found in a portion of its opinion which Kayser-Roth did not challenge on appeal.

The Fourth Circuit did not improperly reweigh the facts. It applied the established "clearly erroneous" standard of review and reversed the district court's conclusions on likelihood of confusion and estoppel because

those conclusions were premised on fundamental errors of law.

REASONS FOR DENYING THE WRIT

I. THE FOURTH CIRCUIT'S DECISION DOES NOT SUGGEST THAT GENERIC TERMS ARE SUBJECT TO TRADEMARK PROTECTION

Kayser-Roth attempts to manufacture an issue for review of the Fourth Circuit's decision in this case by mischaracterizing that decision and the basis for it. Kayser-Roth contends that the Fourth Circuit did not disturb the district court's conclusion that the term "leg" is generic for pantyhose, but nonetheless inexplicably ruled that Kayser-Roth should be enjoined from using that generic term.

That is not what the Fourth Circuit did. It simply ruled that "leg" as applied to pantyhose is *not* a generic term, as a fair reading of its opinion plainly reveals.

The Fourth Circuit began by recognizing that the term "leg" is "an intrinsic part of Kayser-Roth's Leg Looks® mark, and almost certainly the source of any confusion between" the two competing marks. 81 F.3d at 465. It then stated, "According to the district court, because the word 'leg' is generic, it may legally be used as part of an otherwise non-infringing pantyhose trademark." *Id.* The court then stated emphatically, "We disagree." *Id.*

Kayser-Roth argues that the Fourth Circuit's "disagreement" was with the well-settled legal proposition

that generic terms may not be protected as trademarks, rather than with the district court's plainly erroneous conclusion that "leg" is a generic term for pantyhose. This reading is completely untenable. Earlier in its opinion, the Court of Appeals manifested a clear understanding of the non-protectability of generic terms: " 'Generic' terms are the common name of a product or service itself, and can never be trademarks." 81 F.3d at 464. The Court went on in a footnote to define genericness clearly and correctly:

> A mark is generic if it "denominate[s] a type, kind, genus, or subcategory of goods." *Dayton Progress [Corp. v. Lane Punch Corp.*, 917 F.2d 836 (4th Cir. 1990)] at 839 (quoting *G. Heileman Brewing Co. v. Anheuser Busch, Inc.*, 873 F.2d 985, 997 (7th Cir. 1989)). In other words, a generic term "identifies the general nature of an article." *Dayton Progress* at 839 (citation and internal quotation marks omitted).

81 F.3d at 464 n. 10.

The Fourth Circuit obviously understood the concept of genericness in trademark law, and certainly grasped the rudimentary principle that trademark law does not constrain the use of generic terms. The basis of the Fourth Circuit's disposition was simply that L'eggs®, as well as "legs," the "common word" to which L'eggs® is "phonetically identical," *id.* at 465, is not generic:

> L'eggs® does not denominate a type or genus of goods, nor does it name a distinctive characteristic of pantyhose in general. *See* note 10, *supra* [setting out the definition of genericness]. A different case would be presented if the mark

> at issue were "Pantyhose" or "Stockings" (type or genus) or "Nylons" (characteristic).

Id.

In its Petition, Kayser-Roth makes no attempt to defend the district court's conclusion that "leg" is generic for pantyhose, nor does it question the well-established definition of genericness applied by the Fourth Circuit, that a mark is generic only if it "denominate[s] a type, kind, genus or subcategory of goods." 81 F.3d at 464 n. 10. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992) (generic terms "refer to the genus of which the particular product is a species," *quoting Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194, 105 S.Ct. 658, 83 L.Ed.2d 582 (1985)).

"Leg" no more denominates a type, kind or genus of pantyhose than "head" denominates a type, kind or genus of hat. The Fourth Circuit's resolution of the genericness issue was clearly correct, and thoroughly undercuts Kayser-Roth's entire argument on this point. Because no generic term is at stake in this case, the principle extolled by Kayser-Roth that generic terms should be free for all to use is in no way implicated, and there is no conflict with decisions from other circuits which recognize that principle. Kayser-Roth has simply attempted to manufacture a phantom issue which is not presented on this record.

II. THE DECISION OF THE FOURTH CIRCUIT PROPERLY DIRECTED THAT KAYSER-ROTH'S INFRINGING USE OF ITS MARK BE ENJOINED

Kayser-Roth next argues that by directing the entry of an injunction to prohibit Kayser-Roth from continuing its infringing use of the Leg Looks® mark, the Fourth Circuit "depart[ed] from the registration scheme of the Lanham Act by denying Kayser-Roth the benefits of its incontestable registration without requiring a showing that any of the statutory exceptions to incontestability exist." Petition at 11.

Kayser-Roth's argument is founded on the incorrect premise that an incontestable registration under the Lanham Act confers an open-ended and unassailable right to *use* the registered mark in any manner imaginable.[1] One need only read the text of the Lanham Act itself to detect the fallacy in this position. Section 15 provides in pertinent part that when the specified requirements are met, a registered mark becomes incontestable

> except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of

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[1] The only cases cited by Kayser-Roth in support of its argument are decisions from the Trademark Trial and Appeal Board and from the appellate courts which review those decisions, and all were addressing the issue of whether limitations could or should be placed on a *registration*. *See* Petition at 11-13, and cases there cited. None of those cases concerned limitations on the *use* of a registered mark, which is the issue here.

> registration under this Act of such registered mark.

15 U.S.C. § 1065. Similarly, § 33(b), which enumerates the presumptions which flow from incontestability, explicitly declares that the conclusive presumption of a registrant's exclusive right to use the registered mark in commerce exists only "[t]o the extent that the right to use the registered mark has become incontestable under section 15." 15 U.S.C. § 1115(b).

The import of these statutory provisions is clear: notwithstanding the existence of an incontestable registration, where a competing mark has been used throughout the country since before the issuance of the registration, the registration is not incontestable with respect to that senior mark. *Cuban Cigar Brands N.V. v. Upmann International, Inc.*, 457 F.Supp 1090 (S.D.N.Y. 1978), *affirmed* 607 F.2d 995 (2d Cir. 1979). *See also* 2 McCarthy, *Trademarks and Unfair Competition* § 26:19 at 26-91 (3d ed., Release 9, 1996) ("If the senior user had used the mark nationwide prior to the junior user's first use, . . . the registration is not incontestable to any extent as against the senior user.")

In the present case, the district court found, based on undisputed evidence, that

> Plaintiff has used the mark L'eggs® on pantyhose, the products at issue in this case, continuously since the early 1970's. Since 1974, Plaintiff has distributed those pantyhose nationally. . . . The court finds that by virtue of this nationwide use Plaintiff acquired state law rights in its mark L'eggs® throughout the

> United States before Defendant registered the mark LEG LOOKS® in 1983.

Appendix to Petition for Writ of Certiorari at A-98. As a result, the district court correctly concluded that Kayser-Roth's Leg Looks® registration was *not* incontestable as against Sara Lee's L'eggs® mark, and that Sara Lee was free to challenge Kayser-Roth's infringing use. *Id.* at A-99.

The Fourth Circuit did not find it necessary to mention this issue in its opinion for the simple reason that Kayser-Roth failed to raise the issue on appeal. *See, e.g., Tucker v. Waddell*, 83 F.3d 688, 690 n. 1 (4th Cir. 1996) (issue not addressed in briefs or at oral argument deemed abandoned).[2] In fact, in its brief before the Fourth Circuit, Kayser-Roth discussed the ruling of the district court on this point with apparent approval, and certainly never questioned its correctness. *See* Brief of Appellee Kayser-Roth Corporation filed February 16, 1995, at 26.

Under these circumstances, the issues which Kayser-Roth attempts to raise are plainly without substance. The Fourth Circuit did no more than direct entry of an injunction restraining Kayser-Roth's infringing use. This was not because the Fourth Circuit believed that Kayser-Roth's incontestable registration was limited only to certain channels of trade. Rather, it was because the Lanham

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[2] Kayser-Roth's failure to advance this argument before the Fourth Circuit should also preclude it from pursuing the issue before this Court. *Zobrest v. Catalina Foothills School Dist.*, 509 U.S. 1, 8, 113 S.Ct. 2462, 2466, 125 L.Ed.2d 1, 10 (1993) ("Where issues are neither raised before nor considered by the Court of Appeals, this Court will not ordinarily consider them," *quoting Adickes v. S.H. Kress & Co.*, 398 U.S. 144, 147 n. 2, 90 S.Ct. 1598, 1603, 26 L.Ed.2d 142 (1970)).

Act itself explicitly provides that Kayser-Roth's registration is not incontestable with respect to *any* infringing use of the mark as against the senior L'eggs® mark. Far from "undermin[ing] the integrity of the registration system," Petition at 13, the Fourth Circuit's decision simply applied the express words of the Lanham Act in the same way the district court had done, a disposition which Kayser-Roth failed to challenge on appeal.

III. THE FOURTH CIRCUIT APPLIED THE CORRECT STANDARD OF APPELLATE REVIEW

Kayser-Roth claims that the Fourth Circuit applied an incorrect standard of appellate review, arguing that the Fourth Circuit's comment that it was left with a "definite and firm conviction that a mistake has been made" by the district court, 81 F.3d at 468, constituted a "more liberal standard of review" than what Kayser-Roth says is dictated by this Court's decision in *Anderson v. City of Bessemer City*, 470 U.S. 564, 105 S.Ct. 1504, 84 L.Ed.2d 518 (1985). Petition at 14. Kayser-Roth urges that invocation of this supposedly overbroad standard led the Fourth Circuit improperly to reverse factual findings relating to likelihood of confusion and estoppel. *Id.* at 15-20. Kayser-Roth's arguments are entirely without merit.

A. The Fourth Circuit Applied The Standard Of Review Mandated By This Court In *Anderson* And Subsequent Decisions

Kayser-Roth's argument that the decision below applied an incorrect standard of review is difficult to fathom. The Fourth Circuit certainly recognized that it

was bound by the "familiar" standard of Rule 52(a), F.R.Civ.P., that the district court's findings of fact may be set aside "only if they are clearly erroneous." 81 F.3d at 460. At the conclusion of its opinion, the court stated:

> [W]e cannot help but be left with a "definite and firm conviction that a mistake has been made." *Pizzeria Uno [Corp. v. Temple*, 747 F.2d 1522 (4th Cir. 1984)] at 1526. The court's finding is clearly erroneous; we are thus constrained to overturn it.

81 F.3d at 468.

Kayser-Roth's argument that this formulation is in some way inconsistent with this Court's opinion in *Anderson* is simply wrong. Indeed, the *Anderson* Court explicitly declared exactly the opposite:

> [C]ertain general principles governing the exercise of the appellate court's power to overturn findings of a district court may be derived from our cases. The foremost of these principles, as the Fourth Circuit itself recognized, is that "[a] finding is 'clearly erroneous' when although there is evidence to support it, the reviewing court on the entire evidence is left with a definite and firm conviction that a mistake has been committed." *United States v. United States Gypsum Co.*, 333 U.S. 364, 395, 68 S.Ct. 525, 542, 92 L.Ed. 746 (1948).

Anderson, 470 U.S. at 573. On at least two more recent occasions, this Court has reaffirmed the correctness of this formulation. *See Concrete Pipe and Products of California, Inc. v. Construction Laborers Pension Trust for Southern California*, 508 U.S. 602, 623, 113 S.Ct. 2264, 2279, 124

L.Ed.2d 539 (1993) ("[R]eview under the 'clearly erroneous' standard is significantly deferential, requiring a 'definite and firm conviction that a mistake has been committed.' "); *Sawyer v. Whitley*, 505 U.S. 333, 346, 112 S.Ct. 2514, 2522, 120 L.Ed.2d 269 (1992) ("[a] finding is 'clearly erroneous' when although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed," *quoting Anderson* and *United States Gypsum Co., supra*).

The standard of review articulated by the Fourth Circuit is precisely that set out in *Anderson* and subsequent decisions of this Court.

B. The Fourth Circuit Did Not Improperly Reverse Factual Findings As To Likelihood Of Confusion

Kayser-Roth argues that, with respect to the issue of likelihood of confusion, the Fourth Circuit substituted its view of the evidence for that of the district court. Petition at 15-18. Once again, Kayser-Roth simply mischaracterizes the disposition below. One will scan the opinion of the district court in vain for any explicit finding that there is no likelihood of confusion between the two competing marks. Rather, the district court concluded that the substantial degree of confusion shown, as had already been found by the Magistrate Judge in his Recommendation, JA-5201,[3] was not actionable because "leg" was supposedly generic. *See, e.g.*, Appendix to Petition for Writ of

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[3] References are to the Joint Appendix prepared for and filed with the Court of Appeals. The Magistrate Judge presided

Certiorari at A-122 (holding that because the term "leg" is supposedly generic, "any purported confusion between [the two marks] based on the term 'leg' is not the type of confusion prohibited by" the Lanham Act).

With this legal error corrected, even the district court's findings compel a conclusion of likelihood of confusion as a matter of law. *See id.* (acknowledging that the "consumers' testimony, employees' anecdotal evidence and surveys" serve to "highlight" the "degree to which the word 'leg' has been associated with" Sara Lee's L'eggs® products).

The Fourth Circuit's rejection of a "finding" of no actionable confusion which so plainly depended on legal error was obviously proper, and in no way trenched on the district court's fact-finding function. *See Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1526 (4th Cir. 1984) (appellate court owes no deference to the district court's findings if they result from a misapplication of the law); *Smith v. Hightower*, 693 F.2d 359, 370 n. 29 (5th Cir. 1982) (clearly erroneous rule does not apply when "an improper legal standard, or a proper one improperly applied, is utilized by a District Court in arriving at its findings").

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over the ten day evidentiary hearing, during which time he heard the live testimony of the confusion witnesses, and found that the "quality of customer confusion testimony is high." JA-5202. The District Court expressly adopted the credibility determinations made by the Magistrate Judge. Appendix to Petition for Writ of Certiorari at A-71-72 n. 14.

C. The Fourth Circuit Properly Corrected Errors Of Law Which Led The District Court To Find Laches and Acquiescence

Contrary to Kayser-Roth's argument, Petition at 18-20, the Fourth Circuit did not simply second-guess the district court's factual findings relating to laches and acquiescence. Rather, the Fourth Circuit identified several dispositive respects in which the district court had misunderstood or misapplied the governing law of laches and acquiescence, errors which required reversal when applied to the undisputed facts of the case.

With respect to laches, the Fourth Circuit pointed out that the district court had failed to appreciate fully that a defense of laches must be based on knowledge by the plaintiff of a preexisting *infringing* use of a junior mark. 81 F.3d at 461-62. Kayser-Roth's *infringing* use of the Leg Looks® mark began in September, 1992, and Sara Lee brought these claims within days of learning of it. Notably absent from the district court's opinion is any finding that Kayser-Roth's pre-1992 use of Leg Looks® on envelope packages of fashion hosiery sold in department stores was infringing, or that it created any likelihood of confusion with Sara Lee's L'eggs® trademark. Kayser-Roth has pointed to no evidence in the entire record which might have supported such a finding. Indeed, the only finding on this issue in the district court was one made by the Magistrate Judge in his Recommendation:

> These envelope Leg Looks® packages when sold in department stores and off-price outlets, would likely never be confused with L'eggs® products.

JA-5096; *see also* JA-5093-94. Without a claim to pursue prior to 1992, Sara Lee can hardly be faulted for failing to pursue it.

The Fourth Circuit also noted that the district court "failed to consider the relative unavailability of [the laches] defense to preclude injunctive relief," which is the only relief sought in this proceeding. 81 F.3d at 461-62.

The Fourth Circuit obviously did not engage in any reweighing of the evidence; it simply corrected the district court's legal errors, as a result of which it became clear as a matter of law that the defense of laches did not lie.

These same legal errors justified reversal of the district court's finding of acquiescence. The Fourth Circuit correctly held that "a preexisting infringement is a prerequisite to" the acquiescence defense, just as it is to a laches defense, and that the public policy to avoid consumer confusion counsels against the acquiescence defense as much as it does against the laches defense when injunctive relief is at issue. 81 F.3d at 463.

It is obvious from the Fourth Circuit's opinion that if, as Kayser-Roth urges, that court was "convinced that it would have decided the case differently," Petition at 20, it was not as a result of any reweighing of the facts, but because the Fourth Circuit correctly applied the law, which the district court did not do.

CONCLUSION

Kayser-Roth has failed to articulate any respect in which the Fourth Circuit's opinion below is in error, let alone so substantially in error as to warrant the exercise of this Court's certiorari powers. Sara Lee respectfully requests that Kayser-Roth's Petition for Writ of Certiorari be denied.

Respectfully submitted this the 30th day of September, 1996.

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